
Saskatchewan Economic and Financial Position



August, 1990

Report from the Minister of Finance



I am pleased to present my second annual report on Saskatchewan's economic and financial position.

This report provides the latest information on Saskatchewan's economic performance for the 1989 calendar year, and the Government's preliminary financial results for the fiscal year ended March 31, 1990.

1989 marked a year of rebound in Saskatchewan's real economic growth, after several very difficult years, particularly in the agricultural sector. Increased seeded acreage and improved yields boosted 1989 crop production by 60 per cent over 1988 levels, and enabled a rebuilding of farm inventories depleted by back-to-back years of poor crops. Saskatchewan's real Gross Domestic Product in 1989 rose by 8.5 per cent, the highest yearly increase in real output in the decade. Lower commodity prices somewhat offset the increase in real output, as Saskatchewan's nominal Gross Domestic Product rose 7.9 per cent in 1989.

During 1989, Saskatchewan's 7.4 per cent unemployment rate was the third lowest among the provinces, and remained below the national rate of 7.5 per cent. The rate of inflation during 1989 was also below the national rate. The increase in the Consumer Price Index (CPI) for Regina was 4.5 per cent in 1989, compared with the 5.0 per cent increase in the national CPI.

In spite of the greater volume of provincial economic output posted in 1989, the realized value of output has been constrained by a combination of low commodity prices for our key exports and a high Canadian dollar. It will be difficult to realize our full economic potential as long as our economy has to operate under the handicaps of high interest rates which, unforeseen by forecasters, are more than five percentage points higher than U.S. rates and a currency which has an artificially high value.

In addition to these factors, our agricultural sector, the keystone of our economy, is hindered by rising operating costs. Despite 1989's recovery in farm production, farm cash receipts before expenses increased only 1.4 per cent in 1989, to \$4.5 billion, while farm income after expenses declined 21.0 per cent.

While imposing a serious financial and emotional burden on many farm families, reduced farm income has also had a significant impact on all our communities, both large and small. The value of retail sales in Saskatchewan grew by only 1.4 per cent in 1989. This represents a contraction in the volume of retail trade in Saskatchewan, after taking account of inflation.

Saskatchewan people and their economy have been confronted with a difficult economic environment. This has presented a challenge for the management of the finances of the Province. The Government has responded to this challenge by maintaining its emphasis on sound financial management while protecting the priority areas of health care, education and agriculture.

The Government continued to provide support to farmers through the \$525 million Saskatchewan Spring Seeding Program and secured \$238.5 million in federal assistance to our farmers to make sure that they were able to get this year's crop in the ground.

Thus far, this year's crop looks very promising, with excellent growing conditions over much of the grain belt. While we are optimistic that the crop will be the best in several years, we must be concerned that the benefits of higher crop production may be offset by low agricultural prices. Unfair subsidies by foreign governments are important factors contributing to low agricultural prices. That is why the Government must be actively involved in monitoring and contributing to the GATT (General Agreement on Tariffs and Trade) negotiations to make sure that these harmful agricultural subsidies are removed. Our farmers can compete with the world's best - they are among the world's best. The Government stands by its record of supporting Saskatchewan farmers and their families, and will continue to do so in the years ahead.

The Government's 1989-90 preliminary fiscal results indicate a budgetary deficit of \$377.7 million. High interest rates, support for farmers and increased costs associated with fighting forest fires were major reasons for the increase in the 1989-90 deficit compared with 1988-89. The 1990-91 Budget projects a deficit of \$363.1 million for 1990-91. The Government's efforts to reduce Saskatchewan's deficit have been made much more difficult by the federal government

shifting the burden of its deficit to provincial treasuries through cuts in transfer payments and through other measures to off-load federal expenditures and programs.

The Government introduced measures earlier this year to restrain expenditures and to eliminate waste and inefficiency. These measures will save Saskatchewan taxpayers \$300 million over the next two years. In keeping with the emphasis on financial management while protecting priority areas, the Government implemented freezes on the size of the civil service and internal government spending and rolled-back Cabinet Ministers' salaries.

Saskatchewan's public sector wage settlements have been among the lowest in the country over the last several years. While this has not been easy for all involved, it has meant that the dedicated people of the Saskatchewan public service have been part of the solution to our economic and financial challenges, not part of the problem.

The first half of 1990 brought to the forefront the political debate in Canada about our constitutional future. As we look back upon these recent events, it is reassuring that foreign and domestic investors continue to regard Saskatchewan and Canada as excellent places in which to invest. This is especially important for Saskatchewan, which is so dependent on its export markets.

Despite concerns about negative foreign perceptions regarding the failure of the Meech Lake constitutional accord, and despite a lowering of the Province's credit rating related to the damaging effect on the Province's economy of years of high interest rates, a high and rising Canadian dollar, drought and low commodity prices, the Province has been successful in marketing its securities at home and abroad.

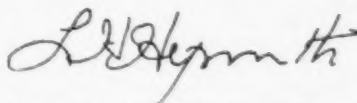
It is especially encouraging that the people of Saskatchewan have maintained their faith in the fundamental outlook for the Province, as demonstrated by their interest in investing in SaskPower Savings Bonds and Potash Ownership Bonds. I am confident that Saskatchewan people will also invest in the future of their own communities through the new Community Development Bond Program.

The key to the long term diversification of the economy lies in investment in manufacturing and processing activities that increase the value added in the Province from our primary industries - agriculture, mining and forestry.

Thus, the Province has joined hands with a number of businesses to invest in manufacturing and processing activities. These projects, such as the Husky and NewGrade heavy oil upgraders, the Saferco fertilizer plant and the Millar Western pulp mill, will provide jobs today and anchors for further economic diversification in Saskatchewan.

It is crucial to involve the people in the decision making process of government. In partnership with the people of Saskatchewan, the Government initiated an extensive pre-budget consultation process. Through Consensus Saskatchewan, the Government has expanded this consultative process in order to obtain public input into the development of government policy as Saskatchewan enters the next century. There are many difficult choices ahead and there are no easy solutions. But, we are confident that Consensus Saskatchewan will provide a process for innovative and valuable input from the people of Saskatchewan in designing a new social, economic and financial blueprint for their Province.

Looking ahead, the future holds both challenges and opportunities. To meet these challenges and to take advantage of these opportunities, this Government is encouraging economic diversity, ensuring sound financial management, eliminating waste and inefficiency and is making Saskatchewan's voice heard regarding the necessity to reduce world trade and subsidy barriers. In these ways, and by working together, we can provide a better Saskatchewan way of life today and for our children's tomorrow.



Honourable Lorne H. Hepworth
Minister of Finance

Economic Highlights

1989 Calendar Year Preliminary Results

Gross Domestic Product

The Province turned in solid economic growth in 1989. Gross Domestic Product (GDP) in current dollar terms, which measures the value of economic production, reached \$20.0 billion last year, a 7.9 per cent increase from the value recorded in 1988. After adjusting for inflation, real GDP rose 8.5 per cent to \$17.8 billion. Real GDP measures the volume of economic production.

Last year's growth was due primarily to the change in farm inventories which leaped to +\$749 million in real terms from -\$1.6 billion in 1988. Changes in the other components of GDP were much more subdued. Real personal consumption expenditure grew 0.5 per cent. Fixed investment sagged following the completion of two large industrial projects in 1988. Real fixed investment fell by 3.5 per cent last year after rising at a good clip all through 1988. But relatively strong growth of 4.4 per cent in real government consumption expenditure partially offset the negative impact of investment, pushing up final domestic demand by 0.1 per cent. In current dollar terms, final domestic demand went up 3.3 per cent. Final domestic demand is the sum total of personal consumption expenditure, government consumption expenditure and fixed investment.

Saskatchewan's real trade balance also declined to \$2.0 billion in 1989 from more than \$3.0 billion in the previous year as real exports dropped 14.2 per cent, reflecting the combined effect of sharply rising exchange rates and relatively poor export market conditions throughout the year.

GDP at factor cost by industry, another indicator of economic performance, posted a 6.3 per cent growth. The Province's goods producing sectors, which include agriculture and manufacturing, rose much faster than the service producing industries. Agricultural GDP increased by 10.3 per cent while manufacturing was up 7.8 per cent. As a whole, the goods producing sectors increased by 7.8 per cent while the service producing industries grew 5.7 per cent.

Personal Income

Personal income consists of wages and salaries and other supplementary labour income, interest, dividends and miscellaneous investment income, net income of farm operators and non-farm unincorporated businesses, and transfer payments.

In 1989, total personal income increased 9.2 per cent to \$17.4 billion. Wages and salaries increased by 4.4 per cent and net income of farm operators jumped 98.4 per cent to \$862 million. Net income of farm operators, also called accrued net income, measures the total monetary value of the year's production in agriculture, including unsold grain stocks, on a GDP basis.

Consumer Prices

Regina's inflation rate as measured by the percentage increase in the Consumer Price Index was 4.5 per cent compared to 4.3 per cent in 1988. Saskatoon's inflation rate, on the other hand, dropped to 4.0 per cent, from 4.5 per cent in 1988. The nation's inflation rate averaged 5.0 per cent in 1989, up from 4.1 per cent in the previous year.

Population and the Labour Force

There were 1,007,300 Saskatchewan residents as of June 1, 1989 compared to 1,013,500 in June, 1988.

Net interprovincial migration totalled -16,641 for the entire year, while the number of births less deaths reached 9,120. Net international in-migration was 1,304.

The labour force number dropped to 482,000 from the previous year's 488,000. There were 446,000 persons employed and 36,000 unemployed compared to 451,000 and 37,000 respectively, in 1988. Consequently, the unemployment rate edged down to 7.4 per cent in 1989. Saskatchewan had the third lowest unemployment rate in Canada. It was lower than the nation's average unemployment rate of 7.5 per cent.

Agriculture

Total crop harvest rose sharply to 18.7 million tonnes from the 1988 low. Although slightly below the ten-year average and reflecting only a partial recovery from the drought, the 1989 crop harvest boosted farm inventories which were depleted in 1988.

Farm cash receipts including supplementary payments reached \$4.5 billion, up 1.4 per cent from the previous year. However, as farm operating expenses increased more than the receipts, virtually all measures of farm income declined. Net cash income, which is a cash flow measure that reflects the farmers' ability to meet cash obligations, dropped 13.1 per cent while realized net farm income, which includes income-in-kind but nets out depreciation charges, declined 21.0 per cent.

Of the total farm cash receipts in 1989, crops contributed 53.0 per cent while livestock receipts and government payments shared 20.0 per cent and 27.0 per cent, respectively. Crop receipts increased 4.2 per cent from 1988 but livestock receipts declined 4.0 per cent owing to lower average feeder cattle prices and reduced slaughter cattle marketings.

Minerals

The Province's oil sector was bolstered by higher crude oil prices during the year. The total value of sales improved, ending 1989 about 12.0 per cent above a year earlier. However, oil production lagged behind, falling by 5.0 per cent. As well,

oil drilling activities sagged with only 365 wells drilled throughout the year compared with 1,048 in 1988.

The natural gas sector continued the upward trend begun in 1988. The value of natural gas sales reached \$284 million in 1989, a 33.0 per cent increase over the previous year's amount. Also, the number of gas wells drilled climbed anew to 960 from 742 in 1988 and 568 in 1987.

The political unrest in China, a major overseas market for Saskatchewan potash, and relatively poor planting conditions in various parts of the United States Mid-West, had considerably slowed potash activities in the Province in 1989. The total value of potash sales fell 9.5 per cent while the volume of production slipped 11.7 per cent.

Uranium activities also remained weak with production dipping 6.3 per cent and sales dropping 18.0 per cent. Overall, however, the mineral sector, as gauged by the total value of mineral sales, snapped back, growing at an annual rate of 1.4 per cent in 1989 after shrinking 8.7 per cent in 1988.

Trade With the Rest of Canada and Abroad

Saskatchewan saw its net trade position suffer further under the weight of a rising exchange rate and slowing world markets. Saskatchewan exports in current dollar terms dropped to \$7.0 billion in 1989 from \$7.5 billion in 1988. Imports, on the other hand, increased from \$7.7 billion to \$7.8 billion.

Manufacturing Shipments and Retail Trade

Saskatchewan's manufacturing sector provided an upbeat note, expanding substantially in 1989 owing to new capacity. The total value of manufacturing shipments in particular increased by 7.1 per cent to \$3.7 billion with chemical industries, food processing, electrical and electronic products and wood being the biggest gainers.

1989 retail sales, on the other hand, amounted to \$5.6 billion, up just 1.4 per cent from the previous year's level. Contributing to retail sales growth last year were service stations, automotive parts and accessory stores, men's clothing stores and used car dealers. Downward trending sales were recorded by general category stores including department stores and variety stores.

The 1990 Outlook

The Province will continue to gain strength from agricultural production and a very promising investment outlook. Driven by several industrial projects which are expected to get under way this year, Saskatchewan's projected investment growth of 20.0 per cent in 1990 will surpass that of any other province. This includes growth in both non-residential construction and equipment and machinery spending.

The outlook is not without risks, however. High interest rates and exchange rates are among the main factors that could continue to retard some sectors of the Provincial economy. As well, the expected falling-off of grain prices will negatively affect farm income this year. However, the recently announced federal-provincial farm aid package will have some mitigating influence on the poor outlook for farm income.

Saskatchewan Economic Statistics

Calendar Year	1985	1986	1987	1988	Preliminary 1989
Gross Domestic Product - Current Prices - Millions of Dollars					
Personal Expenditure on Goods and Services	10,001	10,578	11,278	11,925	12,545
Government Expenditure on Goods and Services	3,558	3,826	3,788	3,964	4,215
Gross Fixed Capital Formation	4,417	4,181	4,581	4,851	4,670
Value of Physical Change in Inventories					
Non-Farm	(138)	21	(132)	171	209
Farm Inventories and Grain in Commercial Channels	258	849	(266)	(768)	333
Exports of Goods	7,496	6,126	7,471	7,510	7,003
Minus: Imports of Goods	6,573	6,756	7,261	7,704	7,751
Net Exports of Services and Residual Error	(1,839)	(1,834)	(2,335)	(1,371)	(1,182)
Gross Domestic Product	17,181	16,992	17,125	18,578	20,043
Annual Rate of Change (Per Cent)	4.6	(1.1)	0.8	8.5	7.9
Per Capita Gross Domestic Product (Current Dollars)	17,038	16,821	16,859	18,330	19,897
Gross Domestic Product - Millions of Constant 1981 Dollars					
Personal Expenditure on Goods and Services	8,025	8,303	8,383	8,499	8,539
Government Expenditure on Goods and Services	2,633	2,754	2,690	2,780	2,903
Gross Fixed Capital Formation	3,912	3,691	3,971	4,276	4,125
Value of Physical Change in Inventories					
Non-Farm	48	26	(216)	199	281
Farm Inventories and Grain in Commercial Channels	387	1,230	(502)	(1,563)	749
Exports of Goods	8,167	8,514	10,236	9,252	7,937
Minus: Imports of Goods	5,460	5,642	5,793	6,123	5,981
Net Exports of Services, Residual Error and Adjustment	(1,357)	(1,294)	(1,626)	(950)	(790)
Real Gross Domestic Product	16,355	17,581	17,143	16,370	17,763
Annual Rate of Change (Per Cent)	7.5	7.5	(2.5)	(4.5)	8.5
Per Capita Gross Domestic Product (1981 Dollars)	16,219	17,404	16,876	16,152	17,634
Gross Domestic Product at Factor Cost by Industry - Current Prices - Millions of Dollars					
Total Primary Industries and Construction	4,369	4,115	3,785	3,897	4,160
Agriculture	1,768	2,334	1,658	1,842	2,031
Fishing	7	8	8	9	10
Forestry	42	42	41	46	51
Mining	1,907	1,029	1,303	1,188	1,222
Construction	645	701	774	812	846
Manufacturing	922	1,038	1,052	1,134	1,222
Transportation, Communications and Storage	1,340	1,436	1,527	1,591	1,651
Utilities	356	362	401	526	607
Trade	1,692	1,760	1,841	1,890	1,979
Finance, Insurance and Real Estate	3,207	3,088	3,439	3,771	4,185
Services	3,456	3,708	3,915	4,156	4,194
Public Administration	1,219	1,271	1,313	1,299	1,416
Gross Domestic Product at Factor Cost	16,561	16,776	17,273	18,263	19,414
Indirect Taxes Less Subsidies	619	216	(148)	315	629
Gross Domestic Product at Market Prices	17,181	16,992	17,125	18,578	20,043

Saskatchewan Economic Statistics (Cont.)

Calendar Year	1985	1986	1987	1988	Preliminary 1989
Trade with the Rest of Canada and Abroad - Current Prices - Millions of Dollars					
Exports					
Grain.....	2,229	2,000	2,470	2,619	2,086
Crude Oil.....	2,215	1,109	1,450	1,129	1,221
Potash.....	621	553	727	974	881
Manufactured Goods to Rest of Canada.....	839	853	885	727	789
Other.....	1,592	1,611	1,939	2,061	2,026
Total Exports.....	7,496	6,126	7,471	7,510	7,003
Imports					
Crude Oil.....	373	232	314	165	165
Natural Gas.....	135	90	50	18	17
Manufactured Goods from Rest of Canada.....	3,118	3,177	3,384	3,621	3,725
Other.....	2,947	3,257	3,513	3,900	3,844
Total Imports.....	6,573	6,756	7,261	7,704	7,751
Trade with the Rest of Canada and Abroad - Millions of Constant 1981 Dollars					
Exports					
Grain.....	2,715	3,066	4,140	3,376	2,428
Crude Oil.....	2,082	2,128	2,284	2,311	2,035
Potash.....	1,040	984	1,098	1,112	984
Manufactured Goods to Rest of Canada.....	720	715	722	572	607
Other.....	1,610	1,621	1,992	1,881	1,883
Total Exports.....	8,167	8,514	10,236	9,252	7,937
Imports					
Crude Oil.....	219	253	284	203	203
Natural Gas.....	127	104	78	28	28
Manufactured Goods from Rest of Canada.....	2,630	2,657	2,757	2,826	2,842
Other.....	2,484	2,628	2,674	3,066	2,908
Total Imports.....	5,460	5,642	5,793	6,123	5,981
Value of Mineral Sales - Millions of Dollars					
Oil.....	2,252	1,174	1,515	1,044	1,170
Potash.....	622	550	671	974	881
Uranium.....	456	457	637	463	380
Other.....	322	368	379	442	532
Total Value of Mineral Sales.....	3,652	2,549	3,202	2,923	2,963
Volume of Mineral Sales					
Oil - Thousands of Cubic Metres.....	11,541	11,706	12,064	12,242	10,989
Potash - Thousands of Tonnes.....	6,377	6,288	7,022	7,106	6,281
Uranium - Thousands of Kilograms.....	7,337	7,444	11,223	8,416	7,695

Saskatchewan Economic Statistics (Cont.)

Calendar Year	1985	1986	1987	1988	Preliminary 1989
Personal Income - Millions of Dollars					
Wages, Salaries and Supplementary Labour Income	7,520	7,918	8,248	8,615	8,992
Net Income Received by Farm Operators from Farm Production* ...	432	1,133	762	434	862
Other Income	5,729	5,948	6,317	6,898	7,555
Total Personal Income	13,681	14,999	15,327	15,947	17,409
Farm Income - Millions of Dollars					
Farm Cash Receipts	4,056	4,144	4,354	4,415	4,475
Net Cash Income	1,235	1,339	1,587	1,661	1,444
Realized Net Farm Income	548	653	906	999	789
Total Net Farm Income**	787	1,364	723	184	1,222
Net Income Received by Farm Operators from Farm Production* ...	432	1,133	762	434	862
Population and Labour Force - Thousands of Persons					
Population as of June 1	1,008	1,010	1,016	1,014	1,007
Labour Force	485	489	489	488	482
Participation Rate (Per Cent)	66.3	66.6	66.4	66.4	66.2
Employed	446	452	453	451	446
Unemployed	39	37	36	37	36
Unemployment Rate, Saskatchewan (Per Cent)	8.1	7.7	7.4	7.5	7.4
Unemployment Rate, Canada (Per Cent)	10.5	9.5	8.8	7.8	7.5
Consumer Price Index - Annual Percentage Change					
Regina	3.7	2.1	4.9	4.3	4.5
Saskatoon	3.5	4.1	4.9	4.5	4.0
Canada	4.0	4.1	4.4	4.1	5.0
Private and Public Investment - Millions of Dollars					
New Capital Investment					
Construction	2,744	2,436	2,824	3,103	2,863
Machinery and Equipment	1,349	1,337	1,487	1,490	1,475
Total New Capital Investment	4,093	3,773	4,311	4,593	4,339
Repair and Maintenance	1,410	1,361	1,438	1,591	1,675
Total Private and Public Investment	5,503	5,135	5,749	6,184	6,013
Other					
Value of Manufacturing Shipments - Millions of Dollars	2,983	3,032	3,286	3,502	3,749
Value of Retail Trade - Millions of Dollars	4,704	4,999	5,254	5,505	5,584
Housing Starts - Units	5,354	5,510	4,895	3,856	1,906
Electric Power Generated - Millions of Kilowatt Hours	11,838	11,900	12,456	12,959	13,501

* GDP basis

** Includes the cash value of inventory changes.

Note: Components may not add to totals due to rounding.

Sources: Saskatchewan Bureau of Statistics, Saskatchewan Energy and Mines, Statistics Canada

Financial Highlights

1989-90 Fiscal Year Preliminary Results

Summary of Fiscal Position

The preliminary results for the 1989-90 fiscal year indicate the Combined Funds revenue totalled \$4,158.4 million, while the Combined Funds expenditure totalled \$4,536.1 million. The result was a Combined Funds deficit of \$377.7 million for 1989-90.

Revenue and Expenditure

Combined Funds revenue in 1989-90 totalled \$4,158.4 million, an increase of 12.5 per cent over 1988-89. The major factors contributing to this increase were a Crown Investments Corporation dividend of \$275 million, increased federal transfers of \$166.3 million and increased tax revenue of \$86.2 million. The overall increase was offset by a \$59.0 million reduction in the Liquor Board dividend.

Combined Funds expenditure totalled \$4,536.1 million in 1989-90 which reflects an increase of 12.9 per cent over 1988-89. The major factor contributing to the increase in expenditures was the high interest rates, along with the Government's continued commitment to the priority areas of education and health care. These factors accounted for 76.0 per cent of the increase in total Government expenditures.

Financing and Debt Management

Saskatchewan's financing activities involve the raising of funds through the issue and sale of Province of Saskatchewan securities. Funds raised are used to assist in the financing of the capital budgets of and to provide a temporary credit facility for Crown corporations and other agencies as well as for general government purposes. Crown corporations are responsible for reimbursing the Province for the costs of servicing the interest and principal associated with debt borrowed on their behalf. In addition to direct borrowing in the name of the Province, the Government of Saskatchewan provides loan guarantees for certain purposes such as bonds issued in the name of Crown corporations that are offered for sale to Saskatchewan residents.

At March 31, 1990, Gross Debt of the Province amounted to \$12,196.0 million compared to \$10,770.9 million at March 31, 1989. Approximately 62.0 per cent of the Gross Debt of the Province at March 31, 1990 was reimbursable from and was incurred for Crown corporations and other purposes. About 38.0 per cent of the Province's Gross Debt at March 31, 1990 was incurred for general government purposes.

About 93.7 per cent of the Gross Debt of the Province was denominated in Canadian dollars while about 6.3 per cent was denominated in U.S. dollars at March 31, 1990. Included in the debt denominated in Canadian dollars are certain financing transactions that involved borrowing in foreign currencies and swapping or hedging the liability into Canadian dollars to eliminate the foreign exchange rate risk to the Province.

Securities issued and sold include Province of Saskatchewan Promissory Notes, Treasury Bills and debentures. At March 31, 1990 Promissory Notes, Treasury Bills and debentures outstanding were \$2,703.2 million, \$650.0 million and \$8,842.8 million respectively. Promissory Notes, Treasury Bills and debentures outstanding at March 31, 1989 were \$1,508.7 million, \$650.0 million and \$8,612.2 million respectively.

During 1989-90, the Province issued and sold \$650.0 million in medium and long term debentures in the Canadian domestic bond market and increased Promissory Notes outstanding by \$612.8 million for general government purposes. These purposes included: \$377.7 million to finance the budgetary deficit, \$424.9 million to redeem outstanding debentures, \$384.0 million to prefund a portion of the Province's 1990-91 financing requirements and \$76.2 million for loans and advances.

The Province issued and sold \$543.6 million in medium and long term debentures and increased Promissory Notes outstanding by \$581.7 million for Crown corporations and other purposes during 1989-90. Proceeds were used to redeem \$522.9 million in outstanding debentures issued on behalf of Crown corporations and \$602.4 million was used to assist in financing the capital budgets of Crown corporations such as Saskatchewan Power Corporation, Saskatchewan Telecommunications, Crown Investments Corporation of Saskatchewan and Saskatchewan Crop Insurance Corporation. Debt for the purpose of Crown corporations and others decreased by \$15.2 million due to a change in foreign exchange rates.

Included in the 1989-90 financing for the purposes of Crown corporations was \$191.8 million of Province of Saskatchewan Potash Ownership Bonds. These three year bonds are exchangeable into shares of the Potash Corporation of Saskatchewan Inc. and were sold to Saskatchewan residents. The balance of debenture financing for Crown corporations was raised by the Province in the Canadian domestic bond market (\$250.0 million) and from the Canada Pension Plan Investment Fund (\$101.8 million).

The Province's sinking funds, totalling \$455.2 million at March 31, 1990, are an important element of the Province's debt management. Contributions to the Province's sinking funds amounted to \$17.9 million in 1989-90, of which \$17.7 million was contributed by Crown corporations in respect of the debt incurred by the Province for the purposes of those corporations and \$0.2 million was contributed by the Province in respect of debt incurred for general government purposes.

Guaranteed debt of the Province was \$981.8 million at March 31, 1990 compared to \$1,084.8 million at March 31, 1989. This decrease was primarily due to a reduction in the amount of Crown corporation savings bonds outstanding including SaskPower Savings Bonds and SaskTel Telebonds.

Assets, Liabilities and Net Debt

Total Combined Funds assets reached \$8,596.8 at March 31, 1990, up 12.9 per cent from March 31, 1989.

Combined Funds liabilities reached \$11,892.9 million at March 31, 1990 compared to \$10,496.9 million for the previous year. This increase was a reflection of debt incurred on behalf of Crown entities and new borrowing undertaken to provide for general government purposes.

Combined Funds net debt at March 31, 1990 totalled \$3,296.1 million.

1990-91 Budget Estimates

The Budget Estimates for Combined Funds for 1990-91 project total revenue of \$4,278.2 million with total expenditures of \$4,641.3 million, for a combined deficit of \$363.1 million.

The 1990-91 Budget projected that combined expenditures would increase by only \$105.2 million or 2.3 per cent over the 1989-90 actual expenditures. It is projected that 1990-91 expenditures for the priority areas of health care, education and agriculture will increase by \$192.3 million over the 1989-90 actual expenditures. To provide the required funding for the priority areas, other expenditures were reduced to ensure the increase in total budgeted expenditures was maintained below the increase in the rate of inflation.

Measures were taken to reduce government waste and inefficiency. This included amalgamating several Government departments, freezing the size of the civil service, restricting travel and advertising and reviewing all Government operational spending. In total, funding for 21 Government departments was either frozen or reduced. As well, several programs such as the fossil fuel research, rail relocation and municipal transit assistance programs were eliminated. Further savings were achieved with the elimination of the HOME Program, phasing out of the Fuel Tax Rebate Program and adjusting the Mortgage Protection Plan.

The 1990-91 Budget highlighted the Government's continuing commitment to the priority areas of health care, education and agriculture. The 1990-91 Budget held the growth in expenditures to a manageable level and, as a result, no new taxes were introduced in the Budget.

Education expenditures are budgeted to increase by 4.7 per cent or \$39.9 million over the 1989-90 actual expenditures. The Budget provided increases of \$10.5 million for school boards, \$8.3 million for SIAST and regional colleges and an additional \$6.0 million for universities. It also included \$91.0 million for construction and renovation of schools and post-secondary institutions and \$46.7 million for student aid.

Expenditures for health care are projected to increase by \$106.4 million, an increase of 7.6 per cent from the previous year actual expenditures. This allows for an increase of 10.8 per cent for home care, an 8.6 per cent increase for nursing homes and a 7.0 per cent increase for hospitals. In addition, \$116.0 million was provided for the construction and renovation of hospitals and special care facilities.

The Government continues to recognize the importance of the agriculture sector. Introduced in the Budget was a \$525 million Spring Seeding Program which provided immediate assistance to farmers, in the form of a repayable loan. In total, direct spending and tax assistance to the farm sector for 1990-91 amounts to over \$400 million.

The Government is continuing with initiatives to diversify and develop the economy. The Government introduced Community Development Bonds to strengthen and build the communities in the Province. These bonds, guaranteed by the Province, will allow people additional opportunities to invest in community economic development, small businesses and local projects.

The 1990-91 capital financing requirements are estimated to total \$1,895.5 million of which \$1,163.9 million will be for the purposes of Crown corporations and \$731.6 million will be for general government purposes. Debt retirement is expected to amount to \$817.9 million resulting in an increase in public borrowing of \$1,077.6 million in 1990-91.

Borrowing by the Province from the Canada Pension Plan Investment Fund is estimated at \$100.0 million leaving \$1,795.5 million to be raised in various capital markets during 1990-91.

**Government of the Province of Saskatchewan
Combined Funds
Statement of Financial Position**

At March 31

Assets	1986	1987	1988	1989	Preliminary 1990
	(Thousands of Dollars)				(unaudited)
Cash and Short-term Investments (Note 1e).....	\$ 7,522	\$ (140,975)	\$ (47,089)	\$ 9,793	\$ 449,217
Short-term Loans to Crown Entities (Note 1f).....	199,225	237,324	493,170	382,573	607,411
Loans to Crown Entities (Note 1g).....	6,293,849	6,391,605	5,978,885	6,058,908	6,291,380
Other Loans (Note 1h).....	39,681	111,415	77,209	109,365	147,183
Investments in Crown Entities (Note 1i).....	747,230	747,230	824,812	907,044	960,756
Investment in Agricultural Land and Related Assets (Note 1j).....	159,307	157,175	149,945	141,298	138,075
Other Investments (Note 1k).....	10,357	6,870	4,981	2,936	2,792
Total Assets	\$ 7,457,171	\$ 7,510,644	\$ 7,481,913	\$ 7,611,917	\$ 8,596,814

Liabilities and Net Debt

Public Debt (Note 1l)					
Promissory Notes (Note 1l).....	\$ 1,780,600	\$ 1,762,615	\$ 1,199,380	\$ 1,508,650	\$ 2,703,199
Treasury Bills (Note 1l).....	653,400	650,000	650,000	650,000	650,000
Debentures (Note 1l).....	5,965,624	7,394,556	8,373,085	8,612,217	8,842,838
Less: Sinking Funds (Note 1l).....	(408,712)	(428,110)	(454,552)	(430,610)	(455,215)
	\$ 7,990,912	\$ 9,379,061	\$ 9,767,913	\$10,340,257	\$11,740,822
Amounts Payable to Crown Entities (Note 1m).....	127,071	92,180	220,392	149,731	146,326
Conditional Receipts (Note 1n).....	5,239	4,590	11,039	6,954	5,758
Total Liabilities	\$ 8,123,222	\$ 9,475,831	\$ 9,999,344	\$10,496,942	\$11,892,906
Equity (Net Debt)	(666,051)	(1,965,187)	(2,517,431)	(2,885,025)	(3,296,092)
Total Liabilities and Net Debt	\$ 7,457,171	\$ 7,510,644	\$ 7,481,913	\$ 7,611,917	\$ 8,596,814

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Equity (Net Debt)**

At March 31

	1986	1987	1988	1989	Preliminary 1990
	(Thousands of Dollars)				(unaudited)
Equity (Net Debt), Beginning of Year.....	\$ (65,308)	\$ (666,051)	\$ (1,965,187)	\$ (2,517,431)	\$ (2,885,025)
Excess of Revenue Over Expenditure.....	(578,877)	(1,232,143)	(542,447)	(324,397)	(377,703)
Sinking Fund Earnings Retained in Sinking Funds...	3,843	2,452	2,548	1,000	1,224
Write-down of Short-term Loans to Crown Entities	--	--	--	--	(410)
Write-down of Other Investments.....	(537)	--	--	--	--
Provision for Doubtful Accounts - Other Loans	(23,574)	(10,931)	(1,516)	(40,129)	(31,954)
Loss on Sale of Land.....	(287)	(116)	(1,582)	(1,999)	(233)
Write-off of Other Loans.....	(10)	--	--	(21)	(83)
Provision for Loss - Loans to Crown Entities.....	(1,301)	(58,398)	(9,247)	(2,048)	(1,908)
Equity (Net Debt), End of Year.....	\$ (666,051)	\$ (1,965,187)	\$ (2,517,431)	\$ (2,885,025)	\$ (3,296,092)

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Revenue and Expenditure**

For the Year Ended March 31

Revenue	1986	1987	1988	1989	Preliminary 1990
(Thousands of Dollars)					
Taxes					(unaudited)
Corporation Capital	\$ 30,530	\$ 48,256	\$ 55,218	\$ 86,946	\$ 97,138
Corporation Income	129,400	118,801	123,726	128,294	108,358
Fuel	30,723	31,541	161,168	144,442	173,101
Individual Income	627,870	692,079	768,555	847,838	898,555
Insurance	17,318	19,543	20,089	20,752	21,885
Mineral Acreage	3,353	3,367	5,917	5,629	5,639
Sales	374,296	356,597	455,302	498,634	502,304
Tobacco	70,392	78,584	89,810	99,066	102,497
Hospitals Tax	--	--	--	--	8,226
Other Taxes	5,753	6,387	7,150	7,046	7,123
Total Taxes	\$ 1,289,635	\$ 1,355,155	\$ 1,686,935	\$ 1,838,647	\$ 1,924,826
Receipts from Government Enterprises and Other Funds					
Crown Investments Corporation of Saskatchewan	\$ --	\$ --	\$ --	\$ --	\$ 275,000
Saskatchewan Liquor Board	84,000	140,000	--	194,000	135,000
Other Receipts	11,200	6,680	5,905	25,013	4,767
Total Receipts from Government Enterprises and Other Funds	\$ 95,200	\$ 146,680	\$ 5,905	\$ 219,013	\$ 414,767
Other Own Source Revenues					
Agricultural Lands					
Land Sales	\$ 9,795	\$ 6,490	\$ 7,758	\$ 6,713	\$ 4,964
Lease Revenue	10,331	9,836	11,681	11,586	11,564
Interest and Other	926	1,174	1,242	1,208	1,345
Fines, Forfeits, and Penalties	7,152	8,846	9,040	8,977	9,714
Interest, Premium, Discount, and Exchange	50,906	20,259	25,407	19,309	38,785
Non-Renewable Resources					
Coal	10,688	13,557	18,439	14,853	13,931
Natural Gas	13,332	21,887	22,178	36,337	34,587
Oil	638,661	212,926	347,261	187,862	254,251
Crude Oil Export Charge	35,276	--	--	--	--
Potash	32,592	36,982	48,899	96,080	31,335
Sodium Sulphate	1,190	1,085	812	868	836
Uranium	36,269	17,807	19,718	17,517	15,532
Other	978	763	1,187	2,018	1,541
Privileges, Licences, and Permits					
Lands, Forest, Game, Fur, Fisheries, and Water	10,072	10,970	11,614	11,769	12,690
Motor Vehicles	60,281	61,255	67,874	79,291	79,227
Other	10,294	9,883	17,479	12,707	9,435
Sales, Services and Service Fees	64,033	40,627	45,928	37,867	39,463
Other Revenues	19,498	24,871	23,660	18,130	18,864
Total Other Own Source Revenues	\$ 1,012,274	\$ 499,218	\$ 680,177	\$ 563,092	\$ 578,064
Receipts from Other Governments					
Canada Assistance Plan	\$ 149,131	\$ 160,548	\$ 156,801	\$ 154,916	\$ 152,539
Economic Development Agreements	1,069	1,457	728	754	644
Equalization Payment (Note 2c)	(22,913)	145,665	302,675	454,572	608,713
Established Programs Financing	445,063	409,307	406,233	396,994	415,733
Manpower Agreements	21,611	19,805	11,677	4,983	4,489
Statutory Subsidy	2,175	2,175	2,192	2,184	2,180
Other Federal Contributions	46,896	50,003	33,873	52,632	46,686
Other Receipts	8,930	10,505	8,602	7,332	9,760
Total Receipts from Other Governments	\$ 651,962	\$ 799,465	\$ 922,781	\$ 1,074,367	\$ 1,240,744
Total Revenue	\$ 3,049,071	\$ 2,800,518	\$ 3,295,798	\$ 3,695,119	\$ 4,158,401

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Revenue and Expenditure**

For the Year Ended March 31

Expenditure	1986	1987	1988	1989	Preliminary 1990
	(Thousands of Dollars)				(unaudited)
Advanced Education and Manpower.....	\$ 253,743	\$ 263,822	\$ --	\$ --	\$ --
Agriculture and Food.....	220,338	298,441	165,263	189,159	141,231
Consumer and Commercial Affairs.....	5,418	5,174	5,435	5,565	5,179
Co-operation and Co-operative Development.....	2,974	2,860	--	--	--
Culture and Recreation.....	18,827	21,667	--	--	--
Culture, Multiculturalism and Recreation.....	--	--	--	--	7,262
Economic Development and Tourism.....	10,835	14,497	30,858	31,792	43,453
Education.....	423,592	437,445	779,886	810,400	848,106
Employment Development Agency.....	102,098	203,592	--	--	--
Energy and Mines.....	35,507	19,530	19,743	15,433	16,350
Environment and Public Safety.....	7,172	7,296	12,800	10,244	11,238
Executive Council.....	6,877	11,904	6,611	6,597	6,182
Family Foundation.....	--	--	--	--	142
Finance: Other.....	38,960	28,814	133,958	153,861	187,898
Servicing the Public Debt (Note 1o).....	190,322	192,587	282,043	320,011	522,937
Health.....	1,067,419	1,165,204	1,183,594	1,249,220	1,400,967
Highways and Transportation.....	216,329	223,194	215,473	225,107	239,794
Human Resources, Labour and Employment.....	10,170	10,558	54,329	65,027	56,728
Indian and Native Affairs Secretariat.....	2,423	2,583	--	3,752	4,616
Justice.....	104,776	112,417	128,016	140,795	149,388
Legislation.....	10,441	10,110	11,057	13,872	14,126
Local Government Finance Commission.....	416	234	--	--	--
New Careers Corporation.....	--	--	--	--	5,713
Northern Affairs Secretariat.....	538	666	--	--	355
Parks, Recreation and Culture.....	61,647	58,131	103,871	100,911	57,736
Parks and Renewable Resources.....	--	--	--	--	55,798
Provincial Auditor.....	3,587	3,504	3,230	2,890	3,144
Provincial Secretary.....	714	933	2,728	4,765	8,274
Public Participation.....	--	--	729	3,365	3,020
Public Service Commission.....	6,453	6,120	9,830	10,022	10,862
Revenue and Financial Services.....	121,646	135,630	--	--	--
Rural Development.....	53,811	55,391	54,378	70,029	77,614
Saskatchewan Assessment Authority.....	5,678	4,731	--	--	--
Saskatchewan Crop Insurance Corporation.....	18,250	17,155	11,931	14,927	18,940
Saskatchewan Gaming Commission.....	--	--	--	--	1,489
Saskatchewan Housing Corporation.....	33,510	45,937	110,584	75,141	112,317
Saskatchewan Library.....	7,822	8,225	--	--	--
Saskatchewan Municipal Board.....	417	447	447	772	821
Saskatchewan Property Management Corporation.....	--	--	8,102	6,763	7,063
Saskatchewan Research Council.....	4,316	4,081	7,840	6,479	7,505
Saskatchewan Water Corporation.....	24,715	25,930	12,456	21,058	29,590
Science and Technology.....	3,967	5,001	2,434	1,936	1,893
Seniors' Secretariat.....	--	--	--	--	9,835
Social Services.....	340,577	355,669	378,435	364,475	363,061
Supply and Services.....	92,165	139,076	--	--	--
Department of Telephones.....	198	463	493	505	5,060
Trade and Investment.....	7,774	9,375	7,473	5,823	7,320
Urban Affairs.....	111,224	123,715	94,218	88,820	92,797
Women's Secretariat.....	302	552	--	--	300
Total Expenditure.....	\$ 3,627,948	\$ 4,032,661	\$ 3,838,245	\$ 4,019,516	\$ 4,536,104
Excess of Expenditure over Revenue.....	\$ 578,877	\$ 1,232,143	\$ 542,447	\$ 324,397	\$ 377,703

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Loan, Investment and Deposit Activity**

For the Year Ended March 31

Receipts	1986	1987	1988	1989	Preliminary 1990
	(Thousands of Dollars)				(unaudited)
Loans					
Agricultural Credit Corporation of Saskatchewan	\$ --	\$ 110,045	\$ 623,100	\$ 268,400	\$ 158,400
Crown Investments Corporation of Saskatchewan	51,500	188,000	349,125	293,412	304,392
Potash Corporation of Saskatchewan	18,400	5,000	528,020	--	--
Saskatchewan Crop Insurance Corporation	143,592	227,784	46,907	45,532	2,624
Saskatchewan Economic Development Corporation	23,500	--	--	--	--
Saskatchewan Municipal Financing Corporation	--	--	--	--	--
Saskatchewan Mining Development Corporation	--	--	--	--	28,014
Saskatchewan Oil and Gas Corporation	25,000	--	229,766	370,523	--
Saskatchewan Power Corporation	9,637	174,826	29,752	128,060	799,503
Saskatchewan Property Management Corporation	--	--	--	100,000	5,431
Saskatchewan Telecommunications	7,793	13,283	772	15,074	7,100
Saskatchewan Water Corporation	--	--	9,839	3,000	350
Loan and Sales Agreements	837	618	834	720	548
NewGrade Energy Inc.	--	--	60,678	--	--
Other	3,719	6,563	13,582	10,258	21,549
Total Loan Receipts	\$ 283,978	\$ 726,119	\$ 1,892,375	\$ 1,234,979	\$ 1,327,911
Investments					
Potash Corporation of Saskatchewan	\$ --	\$ --	\$ --	\$ 418,554	\$ --
Saskatchewan Mining Development Corporation	--	--	--	218,700	--
Saskatchewan Oil and Gas Corporation	91,500	--	--	--	--
Investment in Agricultural Land and Related Assets	4,647	2,289	6,220	6,874	2,840
NewGrade Energy Inc.	--	--	735	--	--
Other	2,546	3,787	1,154	2,044	145
Total Investment Receipts	\$ 98,693	\$ 6,076	\$ 8,109	\$ 646,172	\$ 2,985
Deposits					
Crown Entities	\$ 127,556	\$ 106,316	\$ 649,089	\$ 135,178	\$ 175,776
Sinking Funds	20,193	19,682	18,837	18,340	17,703
Conditional Receipts	--	--	6,449	1,644	--
Redemption of Sinking Funds	--	11,316	18,362	--	--
Total Deposit Receipts	\$ 147,749	\$ 137,314	\$ 692,737	\$ 155,162	\$ 193,479
Total Receipts	\$ 530,420	\$ 869,509	\$ 2,593,221	\$ 2,036,313	\$ 1,524,375

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Loan, Investment and Deposit Activity**

For the Year Ended March 31

Disbursements	1986	1987	1988	1989	Preliminary 1990
	(Thousands of Dollars)				(unaudited)
Loans					
Agricultural Credit Corporation of Saskatchewan	\$ 1,045,645	\$ 158,400	\$ 400,000	\$ --	\$ 55,065
Crown Investments Corporation of Saskatchewan	114,728	266,158	792,145	645,523	984,356
Potash Corporation of Saskatchewan	160,517	65,255	--	--	--
Saskatchewan Crop Insurance Corporation	296,549	57,870	46,907	393,079	212,183
Saskatchewan Economic Development Corporation	--	26,000	7,000	3,919	--
Saskatchewan Municipal Financing Corporation	--	--	--	--	39,508
Saskatchewan Power Corporation	212,507	241,111	67,736	69,234	92,359
Saskatchewan Property Management Corporation	--	181,993	158,844	144,300	175,000
Saskatchewan Telecommunications	--	32,598	13,597	20,779	--
Saskatchewan Mining Development Corporation	48,853	32,628	61,705	--	--
Saskatchewan Water Corporation	--	--	--	--	20,000
Other	32,335	89,796	42,159	82,905	91,778
Total Loan Disbursements	\$ 1,911,134	\$ 1,151,809	\$ 1,590,093	\$ 1,359,739	\$ 1,670,249
Investments					
Investment in Agricultural Land and Related Assets	\$ 585	\$ 429	\$ 944	\$ 745	\$ 188
Crown Investments Corporation of Saskatchewan	--	--	77,583	719,485	53,712
Other	240	300	--	--	--
Total Investment Disbursements	\$ 825	\$ 729	\$ 78,527	\$ 720,230	\$ 53,900
Deposits					
Crown Entities	\$ 87,304	\$ 141,207	\$ 520,876	\$ 205,840	\$ 179,181
Sinking Funds	20,749	20,238	19,260	18,460	17,823
Conditional Receipts	928	648	--	5,730	1,195
Total Deposit Disbursements	\$ 108,981	\$ 162,093	\$ 540,136	\$ 230,030	\$ 198,199
Total Disbursements	\$ 2,020,940	\$ 1,314,631	\$ 2,208,756	\$ 2,309,999	\$ 1,922,348
Total Excess of Receipts Over Disbursements	\$ (1,490,520)	\$ (445,122)	\$ 384,465	\$ (273,686)	\$ (397,973)

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Financing and Changes in Financial Position**

For the Year Ended March 31

	1986	1987	1988	1989	Preliminary 1990
	(Thousands of Dollars)				(unaudited)
Cash Requirement					
Revenue and Expenditure					
Expenditure	\$ 3,627,948	\$ 4,032,661	\$ 3,838,245	\$ 4,019,516	\$ 4,536,104
Revenue	3,049,071	2,800,518	3,295,798	3,695,119	4,158,401
	\$ 578,877	\$ 1,232,143	\$ 542,447	\$ 324,397	\$ 377,703
Loan, Investment and Deposit					
Disbursements	\$ 2,020,940	\$ 1,314,631	\$ 2,208,756	\$ 2,309,999	\$ 1,922,348
Receipts	530,420	869,509	2,593,221	2,036,313	1,524,375
	\$ 1,490,520	\$ 445,122	\$ (384,465)	\$ 273,686	\$ 397,973
Less: Non-cash Gain on a Swap of Foreign Currency Debt	\$ --	\$ --	\$ --	\$ 43,773	\$ --
Net Cash Requirement	\$ 2,069,397	\$ 1,677,265	\$ 157,982	\$ 641,856	\$ 775,676
Financing					
Proceeds from Debt	\$ 2,069,634	\$ 1,760,981	\$ 1,536,479	\$ 1,153,202	\$ 2,388,168
Repayment of Debt	116,273	194,114	1,028,765	565,062	947,819
	\$ 1,953,361	\$ 1,566,867	\$ 507,714	\$ 588,140	\$ 1,440,349
Net Increase (Decrease) in					
Cash, Short-term Loans and Investments	\$ (116,036)	\$ (110,398)	\$ 349,732	\$ (53,716)	\$ 664,673
Write-down of Short-term Loans to Crown Entities	--	--	--	--	(410)
Cash, Short-term Loans and Investments, Beginning of Year	322,783	206,747	96,349	446,081	392,365
Cash, Short-term Loans and Investments, End of Year	\$ 206,747	\$ 96,349	\$ 446,081	\$ 392,365	\$ 1,056,628

(see accompanying notes)

Government of the Province of Saskatchewan Combined Funds Notes to the Financial Statements

1. Significant Accounting Policies

General Policies

1a. Reporting Entity

These financial statements represent a combination of the financial transactions for the Consolidated Fund and the Saskatchewan Heritage Fund. The financial statements have been designed primarily to provide an accounting of the financial resources appropriated by the Saskatchewan Legislature from the Funds. The Consolidated Fund is the general fund into which all revenues over which the Legislative Assembly of Saskatchewan has power of appropriation flow unless the Legislative Assembly has directed otherwise. The Saskatchewan Heritage Fund is a fund established by the Legislative Assembly to receive all nonrenewable resource revenues and certain other revenues as specified in *The Heritage Fund (Saskatchewan) Act*.

These financial statements are not intended to be summary financial statements that provide a full accounting of the financial affairs and resources of all the entities for which the Government of Saskatchewan is responsible. The financial transactions of other Crown entities such as provincial Crown corporations, agencies, boards and commissions are reported separately. Only those transactions pertaining to the receipts of money from or payment of money to the Consolidated or the Saskatchewan Heritage Funds are reflected in these statements. Accumulated surpluses or deficits of these entities are not included.

Various special purpose and other funds are administered by the Minister of Finance. Included within these funds are superannuation funds over which the Minister provides general administrative support, trust monies held for third parties under various arrangements, and special purpose monies held for specified uses. The assets, liabilities, operations and residual balances of these are maintained and reported separately from those of the reporting entity.

1b. Principles of Combination

The financial transactions for the Consolidated Fund and the Saskatchewan Heritage Fund are combined. Transactions between the funds, such as the fund dividend paid to the Consolidated Fund by the Saskatchewan Heritage Fund, are eliminated.

1c. Basis of Accounting

The financial statements are prepared using a modified cash basis for a fiscal year commencing on April 1 and ending on March 31. Revenues are recorded as received and expenditures are charged to the accounts when payments are made. In addition, revenues received in the 30 days of April in respect of revenue raised up to March 31 of the preceding fiscal year are taken into revenue of the preceding fiscal year, and payments made during the 30 days of April which are for goods and services received in the preceding fiscal year are reported as expenditures of the preceding fiscal year.

1d. Classification of Financial Transactions

In accounting for the financial transactions, a distinction is drawn between those transactions which affect the net debt and those which affect recorded assets and liabilities. The net debt is the difference between recorded liabilities and assets. Revenues and expenditures affect the net debt; financing activities and transactions which arise from the financing activities (lending and investing) affect recorded assets and liabilities. Accordingly, transactions are recorded within three categories: Revenue and Expenditure, Lending and Investing, and Financing Activities.

• Revenue and Expenditure

Revenue and expenditure relate to normal operating activities.

• Revenue

Revenue includes revenues raised through taxation, premiums, fees, licences and permits, receipts from the Federal government under fiscal arrangements and shared-cost programs, income from investments and dividends or transfers from other funds and gains on the sale of certain agricultural lands.

• Expenditure

Expenditure includes payments for goods and services, salaries, transfer payments to individuals, municipalities and institutions, subsidies and grants, interest on public debt, acquired fixed assets and lease payments to the Saskatchewan Property Management Corporation for accommodations, furnishings and equipment.

• Lending and Investing

These transactions result from lending and investing functions which include lending and investing activity in Crown entities, other organizations, individuals, in Agricultural Land and Related Assets acquired for resale and the administration of funds held for certain Crown entities.

• Financing Activities

Financing activities are the borrowing and repayment transactions and include borrowing on behalf of Crown entities.

• Assets and Liabilities

The majority of the assets and liabilities recorded in the statements are a result of the intermediary activity of borrowing on behalf of Crown entities. In general terms assets consist of cash, short-term investments and loans to or investments in Crown entities and other organizations and individuals.

The Saskatchewan Property Management Corporation is responsible for certain aspects of capital asset management including the acquisition, maintenance and disposal of accommodations, furnishings and equipment for the government. These assets are provided to government departments on a lease basis. Other capital assets are treated as expenditure in the year of purchase.

Liabilities consist of promissory notes, Treasury bills and debentures to be repaid to outside parties and amounts that are due to provincially created Crown entities.

- **Revolving Fund Transactions**

Various revolving funds have been established to provide services to government departments or the public. Each of these has statutory authority to make payments out of the Consolidated Fund for the provision of specified services.

Except for transactions relating to loans and advances to third parties, any net cash expenditure on behalf of a revolving fund is classified as an expenditure. Any net cash revenue is classified as a reduction in expenditures. Loans to third parties are classified as lending and investment transactions, and any amounts outstanding are shown as an asset.

Specific Policies

1e. Cash and Short-Term Investments

- **Cash**

Cash is the balance on hand in the Combined Funds at March 31, adjusted in accordance with Note 1c.

- **Short-Term Investments**

Short-term investments represent those investments purchased under authority of *The Financial Administration Act* and *The Heritage Fund (Saskatchewan) Act*. These investments consist mainly of chartered bank notes, Treasury bills, commercial paper and bonds maturing within one year.

Short-term investments are carried at cost. Any gain (loss) on disposal of short-term investments is recorded as revenue (expenditure).

1f. Short-Term Loans to Crown Entities

These represent loans made for a period of less than one year. Short-term loans are valued at par.

Income received from Crown entities on short-term loans is applied to offset the interest paid on the public debt.

1g. Loans to Crown Entities

These loans are made for a period of greater than one year to Crown corporations and generally have fixed terms of repayment.

Loans are valued at cost. Loans in foreign currency are converted to the Canadian dollar equivalent at the exchange rate in effect at March 31. In cases where the liabilities of a Crown entity significantly exceed the estimated realizable value of its assets and the accumulated deficit is not funded by an appropriation, the loan will be written down. All write-downs are charged directly to net debt.

Where debentures are issued to obtain funds for making loans, the Crown entities are required to provide the funds to repay the debt. Where sinking fund requirements are attached to the underlying debt issue, Crown entities must reimburse the Consolidated Fund for payments made to the sinking fund. The Crown entities' equity in the sinking funds reduces the recorded value of loans.

Interest received from Crown entities is applied to offset the interest expense on the debt issues.

1h. Other Loans

These loans are subject to a variety of interest rates and terms of repayment.

These loans are carried at cost and are revalued when it becomes evident that they are uncollectible. All write-downs are charged directly to net debt.

Interest received from these loans is recorded as revenue.

1i. Investments in Crown Entities

Investments in Crown entities represent long-term equity advances which are non-interest bearing and have no fixed terms of repayment.

Investments are valued at original cost. Revaluation of the investment will occur when the liabilities of the Crown entity significantly exceed the net realizable value of its assets and the accumulated deficit is not funded by appropriation. All write-downs reducing the carrying value of the investment are charged directly to net debt.

Dividends from the investments are recorded as revenue.

1j. Investment in Agricultural Land and Related Assets

The Heritage Fund (Saskatchewan) Act transferred the assets and liabilities of the former Saskatchewan Land Bank Commission to the Agricultural Division of the Saskatchewan Heritage Fund effective April 1, 1983. Investment in Agricultural Land and Related Assets represents the cost of land and improvements held for resale.

Sales of these lands and improvements are recorded as a recovery of investment in amounts equal to the cost and any gains are recorded as revenue when received. Where the sale involves a long-term sales agreement, the amount equal to the cost of the investment sold is recorded as an asset; any amount due in respect of a gain on the sale is recorded as revenue only upon collection. Any loss on the sale of these lands and improvements is charged directly to equity.

1k. Other Investments

These investments are carried at cost and will be revalued when it becomes evident that there has been a permanent reduction in the value of the investment.

Any write-down of an investment is charged directly to net debt.

1l. Public Debt

Public debt represents obligations arising from borrowing activities to finance operations or to finance loans to Crown entities. Public debt consists of promissory notes, Treasury bills and debentures.

- **Borrowing on Behalf of Crown Entities**

Where debt is acquired for the purpose of funding loans to Crown entities, the funds required to repay the principal amount of the debt attributable to these entities are reimbursed by them. All debentures due in foreign currency will be repaid when due by these entities in requisite amounts.

Because this debt is reimbursable, interest received from the Crown entities is offset against the interest paid on the debt.

- **Investment in Agricultural Land**

Debt acquired for the purpose of financing the Investment in Agricultural Land is considered to be fully reimbursable from the proceeds from the sale of the Agricultural Lands to be received by the Saskatchewan Heritage Fund. The interest paid on the public debt which is considered to be fully reimbursable from the lease fee revenue on the lands, received in the Farm Purchase Program Fund, is offset against the interest paid on the debt. To the extent lease fees are insufficient for this purpose, an appropriation of funds from the Saskatchewan Heritage Fund is made to cover the deficiency.

- **Promissory Notes**

Promissory notes are issued to cover temporary insufficiencies of the Consolidated Fund and for funding short-term loans to Crown entities.

Promissory notes are carried at face value.

In the year of issue, discounts are charged to expenditure.

- **Treasury Bills**

Treasury bills are issued to cover temporary insufficiencies of the Consolidated Fund.

Treasury bills are carried at par.

In the year of issue, discounts are charged to expenditure.

- **Debentures**

Debentures are issued to finance operations and for funding long-term loans to Crown entities.

Debentures are carried at par. In the year in which debentures are issued, discounts and premiums are charged to expenditure. Where borrowing is made to finance loans to Crown entities, all expenses including discounts are charged directly to the Crown entities and premiums are paid to the Crown entities.

Many public debentures issued require payments into a sinking fund.

- **Sinking Funds**

The Consolidated Fund assumes direct responsibility for all payments to sinking funds; however, the Consolidated Fund is reimbursed by Crown entities for all sinking fund payments made on debt incurred on their behalf.

The sinking funds invest in Province of Saskatchewan debentures, other provincial government or provincial government guaranteed securities, federal government or federal government guaranteed securities, or high grade Canadian municipal securities until such time as the monies are required for retirement of debt. The sinking funds are subject to noncash calculations regarding earnings in accordance with the following accounting policies:

- **Interest income is recorded on an accrual basis.**

- **Premium/discount on long-term investments is amortized by type of security to maintain a constant yield over the life of the investment.**

- **Gains/losses on the sale of long-term investments are recognized in the period the sale was transacted.**

Earnings of the sinking funds are retained within the sinking funds and, accordingly, are not recorded as revenue but are credited directly to net debt.

1m. Amounts Payable to Crown Entities

These represent amounts held on deposit in the Consolidated Fund on behalf of certain Crown entities.

1n. Conditional Receipts

Funds are received for which the ultimate disposition is not immediately known or which are subject to some future action beyond the control of the payor. These funds are deposited to the credit of a liability account entitled "Conditional Receipts".

1o. Servicing the Public Debt

Servicing the public debt includes premiums, discounts and interest paid on promissory notes, treasury bills and debentures, and recognized foreign exchange gains and losses but does not include interest on public debt borrowed on behalf of Crown entities (Note 1f, 1g). Total interest expense is \$1,228,658,000 of which \$711,172,000 is reimbursable from the other Crown entities resulting in a net charge to the Consolidated Fund of \$517,486,000. Commissions and recognized foreign exchange gains and losses for the Consolidated Fund were \$5,451,000.

1p. Foreign Currency

Public debt due in foreign currency has been converted to the Canadian dollar equivalent at the exchange rate in effect at March 31. Unrealized gains and losses are amortized to interest on public debt on a straight line basis over the remaining life of the debt issue.

Realized gains and losses resulting from transactions or settlements are included in interest on public debt in the current year.

2. Additional Information

2a. Contingencies

- **Guaranteed Debt**

The government has explicitly guaranteed the repayment of the principal and interest of certain bonds, debentures and loans of various organizations including Crown entities. The total principal portion of all guaranteed debt at March 31, 1990 was \$981,786,000 (\$1,084,093,000 at March 31, 1989).

The guaranteed debt is not a recorded liability. If events occur which require the Government to assume the repayment of the debt, the payment is recorded as an expenditure of the Consolidated Fund. At March 31, there were no organizations in receivership whose debt had been guaranteed.

- **Litigation Matters**

There are a number of outstanding litigation matters against the Government of Saskatchewan. The outcomes of these are uncertain and the likely loss, if any, cannot be determined. Any loss resulting from litigation matters will be paid out of the Consolidated Fund. These claims are:

- **A claim by the Canadian National Railway against the Government of Saskatchewan. Approximately**

\$13 million is claimed by way of recovery of E & H Tax collected with respect to railroad rolling stock and repair bills which the plaintiff now alleges are not incorporated in the Act.

- A claim filed by the Consumers Co-operative Refineries Limited against the Province of Saskatchewan. The claim is for \$23,000,000 and relates to an Oil and Gas Incentive Grant dispute.
- A claim filed by Chief Myles Venne on behalf of the members of the Lac La Ronge, James Roberts and Amos Charles Indian Bands against the Government of Canada and Government of Saskatchewan. The claim is for approximately 250,000 acres of land in Saskatchewan based on entitlement under Treaty No. 6.
- The Province has been named in a claim filed by the Federation of Saskatchewan Indians on behalf of the Starblanket and Canoe Lake Bands. The claim is for approximately 50,000 acres of land in Saskatchewan.
- A claim filed by a large number of individuals, acting together, against the Government of Saskatchewan seeks to recover loss of their investments with First Investors Corporation Ltd. and Associated Investors of Canada Ltd. This claim is in excess of \$18,000,000.
- A claim by Kurt Malhiot and Doreen Malhiot against the Province of Saskatchewan. The claim is for approximately \$6,000,000 and relates to an accident which rendered Kurt Malhiot a quadriplegic.
- A claim filed by the Saskatchewan Teachers' Federation on behalf of all presently active and retired teachers, against the Government of Saskatchewan. At issue is in excess of \$10,000,000 relating to a claim that monies, required by law to be paid into the Teachers' Superannuation Fund, have been wrongly withheld.
- The Government is also named as defendant in various other legal actions, relating to amounts in excess of \$500,000 totalling approximately \$6.0 million.
- Crop Reinsurance Fund of Saskatchewan

The Consolidated Fund is liable for funding any deficiency arising in the Crop Reinsurance Fund of Saskatchewan. As at March 31, 1990, the Crop Reinsurance Fund of Saskatchewan had a \$195 million deficit as a result of crop insurance claims in excess of the accumulated surplus of the Saskatchewan Crop Insurance Corporation - Insurance Operation and the Crop Reinsurance Fund of Saskatchewan. The likelihood of payment to the Crop Reinsurance Fund of Saskatchewan is dependent upon the future level of claims in relation to premiums and, therefore, is not determinable at this time.

2b. Saskatchewan Liquor Board Profits

The Consolidated Fund receives a portion of the profits of the Saskatchewan Liquor Board as determined from time to time by Treasury Board.

2c. Equalization Payment

Subsequent to March 31, 1982 the Federal Government amended its calculation of equalization payments. The amendment resulted in the Province being overpaid

by \$117,400,000 in total. By agreement with the Federal Government, this amount was repaid through reduction of other federal transfer payments over a five year period ending March 31, 1987.

2d. Superannuation

For certain pension plans, part of the benefits and/or deficiency arising when the benefits exceed the assets available in the plans are payable out of the Consolidated Fund.

The following is a brief description of these plans:

• Public Service Superannuation Plan

This is an unfunded plan. All employee contributions are recorded as revenue of the Consolidated Fund, and all payments required are recorded as expenditures of the Consolidated Fund.

• Public Employees (Government Contributory) Superannuation Fund

This is a funded plan, with member contributions being matched by the applicable employer. The employer's contribution is recorded as an expenditure of the Consolidated Fund. Since benefits are based on accumulated contributions to the fund, no unfunded liability accrues.

• Public Employees (Government Contributory) Annuity Fund

In 1985-86 *The Superannuation (Supplementary Provisions) Act* was amended creating the Public Employees (Government Contributory) Annuity Fund. The related assets and accumulated balances of members who have chosen this annuity option were transferred to the annuity fund from the Public Employees (Government Contributory) Superannuation Plan and all annuities are paid out of the Fund. Upon retirement, an employee is entitled to receive a guaranteed life annuity provided by the amount standing to his credit in the Fund at the time.

• Teachers' Superannuation Fund

Teacher contributions are paid into a separate fund, with allowances and benefits being made from the fund. Teacher contributions on and after July 1, 1980 with matching contributions from the Consolidated Fund are also paid into the Fund. Any deficiency arising when retirement benefits and allowances exceed the assets available in the Fund is payable from the Consolidated Fund.

• Teachers' Annuity Fund

This is a funded plan for teachers who had never taught in the provincial school system prior to July 1, 1980 and enter the school system after that date. Teacher contributions are matched by payments from the Consolidated Fund. Contributions are paid into a separate fund, with allowances and refunds being made from the fund based upon the contribution made and investment earnings allocated. Since benefits are based on accumulated contributions to the fund, no unfunded liability accrues.

• Teachers' Supplementary Allowances Fund

This fund was created in conjunction with the Teachers' Annuity Fund. A designated portion of contributions made by teachers into the Annuity Fund is paid into the Teachers' Supplementary Allowances Fund for the

purpose of increasing allowances for cost of living and to pay survivor benefits to dependents of teachers. Teacher contributions are matched by payments from the Consolidated Fund. Since benefits are based on accumulated contributions to the fund, no unfunded liability accrues.

- **Members of the Legislative Assembly Superannuation Fund**

This is a funded plan, with member contributions being matched by the Consolidated Fund, which also pays an annual amount and any other amounts that may be appropriated. Contributions are paid into a separate fund, with allowances and refunds being made from the fund. Any deficiency arising when the benefits exceed the assets available in the fund is payable from the Consolidated Fund.

- **Judges of the Provincial Court Superannuation Fund**

Employee contributions are paid into a separate fund with allowances, refunds, and transfers paid out of the fund. Any deficiency arising when the benefits exceed the assets available in the fund is payable from the Consolidated Fund.

Annuities and allowances made under *The Magistrates Court Act* (repealed) are also paid out of the Judges of the Provincial Court Superannuation Fund. Employees do not make contributions. The Consolidated Fund reimburses the Judges of the Provincial Court Superannuation Fund for all payments to superannuates.

- **Anti-Tuberculosis League Employees Superannuation Fund**

Employee contributions are matched by The Saskatchewan Anti-Tuberculosis League. Contri-

butions are paid into a separate fund with allowances, refunds, and transfers paid out of the fund. Any deficiency arising when the benefits exceed the assets available in the fund is payable from the Consolidated Fund.

- **Saskatchewan Transportation Company Employees Superannuation Fund**

Employee contributions are matched by the Saskatchewan Transportation Company. Contributions are paid into a separate fund with allowances, refunds, and transfers paid out of the fund. Any deficiency arising when benefits exceed the assets available in the fund is payable from the Consolidated Fund.

- **Saskatchewan Pension Plan**

In 1986-87, the Saskatchewan Pension Plan was created. The plan is voluntary and open to all residents of the Province of Saskatchewan who are between the ages of 18 and 65. Contributions of members are matched by payments from the Consolidated Fund on the basis of an income related formula to a maximum of \$300 annually.

Benefits are based on accumulated contributions to the plan. Retiring members may also be eligible for supplementary benefits under a guaranteed minimum pension formula. The supplementary benefits are payable from the Consolidated Fund.

The following is a summary of the unfunded liability in respect of these pension plans as indicated in the most recent actuarial reports:

	(Thousands of Dollars)		
Public Service Superannuation Plan	Mar./90	Mar./88	\$ 776,830
Public Employees (Government Contributory) Superannuation Plan	--	--	N/A
Public Employees (Government Contributory) Annuity Fund	Sept./89	Mar./89	508
Teachers' Superannuation Fund	Mar./90	June/89	1,572,000
Teachers' Annuity Fund	--	--	N/A
Teachers' Supplementary Allowances Fund	--	--	N/A
Members of the Legislative Assembly Superannuation Fund	Jan./87	Mar./86	15,696
Judges of the Provincial Court Superannuation Fund	Jan./83	Jan./83	6,330
Anti-Tuberculosis League Employees Superannuation Fund	Jan./85	Mar./84	1,238
Saskatchewan Transportation Company Employees Superannuation Fund...	Jan./85	Mar./84	3,816
Saskatchewan Pension Plan - Retired Members	May/90	Dec./89	7,808
Saskatchewan Pension Plan - Active Members	June/90	Dec./88	16,501

2e. Legal Defeasance

During 1986-87, \$89.3 million, due December 30, 2004, bearing an interest rate of 9 5/8% per annum, was advanced to Saskatchewan Power Corporation. Saskatchewan Power Corporation completed a legal defeasance of this Advance by placing a promissory note receivable with identical terms to the Advance into an irrevocable trust to be used solely for satisfying the principal and interest payments on the Advance. The promissory note is receivable from an unrelated third party and is guaranteed by the Government of

Saskatchewan under a previous agreement. Although the promissory note has been accepted as full and final satisfaction of the Advance, the promissory note remains in the irrevocable trust. Accordingly, these financial statements will continue to reflect a receivable from the Saskatchewan Power Corporation Trust until such time as all claims against the Trust are extinguished. This receivable is included in loans to Saskatchewan Power Corporation.

2f. **The Saskatchewan Property Management Corporation**

The Saskatchewan Property Management Corporation is responsible for certain aspects of capital asset management including acquisition, maintenance and disposal of accommodations, furnishing and equipment for the government. During 1989-90 the Consolidated Fund paid approximately \$131,377,000 (\$122,037,000 in 1988-89) to the Saskatchewan Property Management Corporation for goods and services received.

2g. **Comparative Information**

Certain of the 1986 to 1989 figures have been reclassified to conform with the current year presentation; however, with regard to expenditures of prior years, the figures are reported on the same basis as the estimates of the prior years.

Government of the Province of Saskatchewan Statement of Total Debt

At March 31

	1986	1987	1988	1989	Preliminary 1990
	(Thousands of Dollars) ¹				(unaudited)
Promissory Notes (for the purpose of)					
Crown Corporations ^{2, 3}	\$ 1,712,620	\$ 1,447,352	\$ 1,034,741	\$ 940,891	\$ 1,522,595
Government of Saskatchewan ³	67,980	315,263	164,639	567,759	1,180,604
Total Promissory Notes	\$ 1,780,600	\$ 1,762,615	\$ 1,199,380	\$ 1,508,650	\$ 2,703,199
Treasury Bills (for the purpose of)					
Crown Corporations ²	\$ 2,400	\$ --	\$ --	\$ --	\$ --
Government of Saskatchewan	651,000	650,000	650,000	650,000	650,000
Total Treasury Bills	\$ 653,400	\$ 650,000	\$ 650,000	\$ 650,000	\$ 650,000
Debentures (for the purpose of)					
Crown Corporations ²	\$ 5,056,393	\$ 5,503,513	\$ 5,811,003	\$ 5,844,495	\$ 5,850,637
Government of Saskatchewan	714,362	1,696,966	2,368,629	2,574,827	2,799,909
Other ² - Federal/Municipal	8,184	7,399	6,783	6,233	5,639
- University of Saskatchewan	2,249	2,242	2,234	2,226	2,217
- Investment in Agricultural Land	184,436	184,436	184,436	184,436	184,436
Total Debentures	\$ 5,965,624	\$ 7,394,556	\$ 8,373,085	\$ 8,612,217	\$ 8,842,838
Gross Debt	\$ 8,399,624	\$ 9,807,171	\$ 10,222,465	\$ 10,770,867	\$ 12,196,037
Less: Equity in Sinking Funds (for the purpose of)					
Crown Corporations	\$ 375,235	\$ 402,835	\$ 444,541	\$ 419,339	\$ 442,436
Government of Saskatchewan	32,772	24,464	9,073	10,194	11,537
Other - University of Saskatchewan	705	811	938	1,077	1,242
Total Equity in Sinking Funds	\$ 408,712	\$ 428,110	\$ 454,552	\$ 430,610	\$ 455,215
Guaranteed Debt	\$ 7,990,912	\$ 9,379,061	\$ 9,767,913	\$ 10,340,257	\$ 11,740,822
Total Debt	\$ 8,484,087	\$ 9,930,287	\$ 10,652,955	\$ 11,425,068	\$ 12,722,608

¹ Debt repayable in foreign currency has been restated in Canadian dollar equivalents.

² These enterprises are responsible for the repayment of principal and interest.

³ Beginning in the 1989-90 fiscal year debt for the purpose of Saskatchewan Crop Insurance Corporation is included in Crown corporation debt rather than for the purpose of the Government of Saskatchewan. Previous years' figures have been restated to reflect this change.

**Government of the Province of Saskatchewan
Gross Debt by Allocation**

At March 31

	1986	1987	1988	1989	Preliminary 1990
	(Thousands of Dollars) ¹				(unaudited)
Reimbursable Debt					
Crown Corporations					
Agricultural Credit Corporation of Saskatchewan	\$ 1,215,488	\$ 1,263,843	\$ 1,040,743	\$ 772,343	\$ 669,008
Agricultural Development Corporation	--	--	2,000	3,200	--
Crown Investments Corporation of Saskatchewan ^{2 3 4}	706,939	745,848	1,433,519	1,617,187	2,447,948
Municipal Financing Corporation of Saskatchewan	57,724	76,724	82,924	100,624	106,828
Potash Corporation of Saskatchewan ²	484,782	573,734	--	--	--
Saskatchewan Crop Insurance Corporation ⁵	249,150	79,235	79,235	426,782	636,341
Saskatchewan Economic Development Corporation	68,947	57,671	106,311	102,642	132,538
Saskatchewan Government Printing Company	2,176	2,100	2,100	2,100	707
Saskatchewan Housing Corporation	317,304	317,304	317,304	317,304	317,304
Saskatchewan Mining Development Corporation ³	555,956	558,317	370,060	--	--
Saskatchewan Power Corporation ⁴	2,338,200	2,316,210	2,296,159	2,255,457	1,603,299
Saskatchewan Property Management Corporation	--	181,993	340,836	385,136	554,705
Saskatchewan Telecommunications	759,871	760,510	758,716	756,274	798,146
Saskatchewan Water Corporation	14,876	17,376	15,837	46,337	106,408
Total Crown Corporations	\$ 6,771,413	\$ 6,950,865	\$ 6,845,744	\$ 6,785,386	\$ 7,373,232
Other					
Federal/Municipal	\$ 8,184	\$ 7,399	\$ 6,783	\$ 6,234	\$ 5,639
Investment in Agricultural Land	184,436	184,436	184,436	184,436	184,436
University of Saskatchewan	2,249	2,242	2,234	2,225	2,217
Total Other	\$ 194,869	\$ 194,077	\$ 193,453	\$ 192,895	\$ 192,292
Total Reimbursable Debt	\$ 6,966,282	\$ 7,144,942	\$ 7,039,197	\$ 6,978,281	\$ 7,565,524
Non-Reimbursable Debt					
Government of Saskatchewan ⁵	\$ 1,433,342	\$ 2,662,229	\$ 3,183,268	\$ 3,792,586	\$ 4,630,513
Gross Debt	\$ 8,399,624	\$ 9,807,171	\$ 10,222,465	\$ 10,770,867	\$ 12,196,037

¹ Debt repayable in foreign currency has been restated in Canadian dollar equivalents.

² During the 1987-88 fiscal year the Potash Corporation of Saskatchewan repaid its loans to the Government of Saskatchewan using funds provided by the Crown Investments Corporation. The Government of Saskatchewan provided loans to the Crown Investments Corporation for this purpose.

³ During the 1988-89 fiscal year, Saskatchewan Mining Development Corporation repaid its loans to the Government of Saskatchewan using funds provided by the Crown Investments Corporation. The Government of Saskatchewan provided loans to the Crown Investments Corporation for this purpose.

⁴ During the 1989-90 fiscal year, the assets and liabilities of SaskEnergy were transferred from Saskatchewan Power Corporation to Crown Investments Corporation.

⁵ Beginning in the 1989-90 fiscal year debt for the purpose of Saskatchewan Crop Insurance Corporation is included in Crown corporation debt rather than for the purpose of the Government of Saskatchewan. Previous years' figures have been restated to reflect the change.

Crown Investments Corporation of Saskatchewan

Introduction

Crown Investments Corporation of Saskatchewan (CIC) is a provincial Crown corporation without share capital, established and operating under authority of *The Crown Corporations Act, 1978*. The corporation is responsible for administering provincial government policy as it relates to those Crown corporations under its purview with particular emphasis on business efficiency and effective management. For administrative purposes, Saskatchewan's Crown corporations are categorized into two separate groups. The commercial enterprises are under the purview of Crown Investments Corporation of Saskatchewan. All other Crown corporations report directly to Treasury Board which is a committee of Cabinet. Crown corporations are designated as being within the CIC group by Order-in-Council.

Each year the financial statements of CIC are consolidated with the aforementioned Crown corporations and other investments to provide the Legislature with financial information relating to the aggregate results of these corporations. The corporations provide a wide variety of services and sell various commodities in both domestic and international markets. The diversified nature of the corporations within the consolidated group is such that the operating results can be affected by events and conditions occurring throughout the world.

Loans and advances to, and investments in, Crown corporations are carried at cost by CIC without allowance for their individual accumulated surpluses or deficits. In cases where liabilities of a Crown corporation significantly exceed the estimated realizable value of its assets, the loan or investment will be written down. Long-term investments include shares held in private and public companies plus bonds and debentures. Investments in shares of companies are recorded at cost except where CIC exercises significant influence. Investments where CIC exercises significant influence but has less than a controlling interest are accounted for by the equity method. Bonds and debentures are recorded at amortized cost. Where there has been a decline in the value of an investment that is not considered temporary, the investment is written down to net realizable value.

Current Year's Highlights

CIC reported consolidated income of \$216 million from operations before extraordinary items in 1989, as compared to \$185 million in 1988. This return was in large part due to operational efficiencies within the Crown sector, and increasing demand for certain products and services provided by the Crown corporations. Whereas an extraordinary gain of \$250 million mainly from the sale of assets to Cameco and to Saskoil was realized in 1988, an extraordinary loss of \$377 million occurred in 1989. This amount primarily represented a loss on investment in the Potash Corporation of Saskatchewan Inc. and resulted in CIC recording a consolidated net loss of \$161 million for the year, compared

to a consolidated net income of \$435 million (restated) in 1988.

During 1989, capital expenditures made by CIC and the Crown corporations totalled \$512 million, slightly less than the \$566 million spent in 1988. Taxes and resource payments made to the province by the corporations were \$90 million in 1989 and \$91 million in 1988.

Total revenues in 1989 were \$2.0 billion, similar to revenues of \$2.1 billion in 1988. Total assets administered by CIC decreased from \$7.3 billion (restated) in 1988 to \$6.9 billion in 1989.

As private investment increases in the province's commercial Crown corporations, CIC is moving toward the position of being an investor rather than an operator in the Crown sector. In order to encourage new industry in Saskatchewan, CIC is a proponent of major diversification efforts in which the province has a stake. As a result, CIC administers nine active Crown corporations, has two major subsidiaries and holds major investments in eight different entities. Following is a brief commentary on CIC's major holdings.

1) Active Crown Corporations

The nine active Crown corporations under CIC's jurisdiction at December 31, 1989 were: Agricultural Development Corporation of Saskatchewan, Saskatchewan Development Fund Corporation, Saskatchewan Economic Development Corporation, Saskatchewan Forest Products Corporation, Saskatchewan Government Insurance, Saskatchewan Power Corporation, Saskatchewan Telecommunications, Saskatchewan Transportation Company, and Saskatchewan Water Corporation. Of the active Crowns, Saskatchewan Power Corporation and Saskatchewan Telecommunications are the most significant in terms of asset base and operating income generated.

a) Saskatchewan Power Corporation

Saskatchewan Power Corporation (SaskPower) was established by Order-in-Council in 1949 and formalized as a Crown corporation by an Act of the Legislative Assembly passed in 1950. In accordance with the provisions of *The Power Corporation Act*, the Corporation's main functions include the generation, purchase, transmission, distribution and sale of electrical energy.

In 1989, SaskPower recorded net income of \$436 million. After seven years of losses, the Corporation recorded profits in the past three years.

Net income in 1989 included an extraordinary gain of \$226 million realized when Saskatchewan Energy Corporation (SaskEnergy) was sold to the Crown Investments Corporation of Saskatchewan. Record profits and the sale of SaskEnergy enabled the

**Crown Investments Corporation of Saskatchewan
Consolidated Statement of Financial Position**

At December 31					
	1985	1986	1987	1988	1989
	(Thousands of Dollars)				
Assets		(Note 1)	(Note 2)	(Note 3)	
Current	\$ 751,208	\$ 759,229	\$ 863,117	\$ 860,948	\$ 764,837
Investments	492,078	704,763	882,433	1,546,832	2,039,425
Property, Plant and Equipment	5,508,219	5,559,805	5,283,506	4,768,227	3,913,626
Deferred Charges	311,197	275,880	143,867	107,253	150,568
Total Assets	\$ 7,062,702	\$ 7,299,677	\$ 7,172,923	\$ 7,283,260	\$ 6,868,456
Liabilities and Province's Equity					
Current	\$ 1,403,442	\$ 1,342,386	\$ 1,833,628	\$ 1,062,745	\$ 986,323
Deferred Revenue and Minority Interest	76,280	242,972	252,490	309,985	315,249
Long-term Debt	4,285,610	4,537,083	4,053,506	4,279,451	4,155,652
Province's Equity	1,297,370	1,177,236	1,033,299	1,631,079	1,411,232
Total Liabilities and Province's Equity	\$ 7,062,702	\$ 7,299,677	\$ 7,172,923	\$ 7,283,260	\$ 6,868,456

**Crown Investments Corporation of Saskatchewan
Consolidated Statement of Operations**

For the Year Ended December 31					
	1985	1986	1987	1988	1989
	(Thousands of Dollars)				
Revenue		(Note 1)	(Note 2)	(Note 3)	
Sales of Products and Services	\$ 1,996,406	\$ 1,979,941	\$ 1,907,840	\$ 2,025,388	\$ 1,924,051
Investment Income	69,836	62,017	130,987	80,847	69,099
Other	72,069	73,597	75,645	39,244	48,223
Total Revenue	\$ 2,138,311	\$ 2,115,555	\$ 2,114,472	\$ 2,145,479	\$ 2,041,373
Expenses					
Operating Costs Other Than Those Listed Below	\$ 1,316,911	\$ 1,326,269	\$ 1,121,284	\$ 1,108,046	\$ 1,031,721
Interest	484,468	527,880	520,652	485,085	459,027
Depreciation and Depletion	282,724	305,984	287,575	276,322	244,592
Saskatchewan Taxes and Resource Payments	114,359	94,098	80,927	90,598	90,063
Total Expenses	\$ 2,198,462	\$ 2,254,231	\$ 2,010,438	\$ 1,960,051	\$ 1,825,403
Earnings before Extraordinary Items and Minority Interest	\$ (60,151)	\$ (138,676)	\$ 104,034	\$ 185,428	\$ 215,970
Extraordinary Items and Minority Interest	(19,094)	1,462	--	249,817	(376,674)
Net Income (Loss)	\$ (79,245)	\$ (137,214)	\$ 104,034	\$ 435,245	\$ (160,704)

Note 1: The 1986 financial statements were changed to reflect an addition to the previously recorded minority interest. The result of this adjustment to the 1986 accounts is an increase of \$9 million in minority interest in subsidiary and a decrease of \$9 million in reinvested earnings.

Certain of the other 1986 comparative figures have been reclassified to conform with the current period presentation.

Note 2: The 1987 financial statements were changed to reflect changes to accounting policies relating to deferred exploration and development expenditures and in accounting for customer contributions and gas inventories. There was no effect on 1987 net income as a result of these changes.

Note 3: The 1988 financial statements were changed to reflect a retroactive change in an investee corporation's method of inventory valuation. The result of this adjustment to the 1988 accounts is an \$8.2 million increase in reinvested earnings and a decrease of \$1.6 million in net income.

Certain of the other 1988 comparative figures have been reclassified to conform with the current period presentation.

Corporation to reduce its debt load by \$900 million to \$1.5 billion.

SaskPower's revenue for 1989 was \$683 million, 6.9 per cent higher than the previous year. This increase came about through a 2.9 per cent increase in overall demand, and a rate increase averaging 3.9 per cent implemented at the beginning of the year.

Costs and expenses, including finance charges, totalled \$539 million, 5.6 per cent lower than in 1988. Reductions in finance charges more than offset slightly higher operating, maintenance and administration costs. Although more electricity was produced to meet demand, the cost of generation was held to about the same level as 1988, mainly due to better water volumes for generating hydroelectricity.

Finance charges of \$140 million were at their lowest levels since the early 1980s. This reduction was achieved through the buy back and early redemption of high interest rate debt, and by reduced borrowings made possible by improved financial performance in the past three years. For 1989, only 20 cents from each revenue dollar was used to pay interest charges. In contrast, in 1988 the cost was 32 cents, and in 1986 42 cents of every dollar went to pay interest charges.

Capital expenditures totalled \$221 million, \$41 million higher than the previous year, primarily due to increased construction on the Shand Power Station. Record earnings enabled SaskPower to fund a larger portion of its capital expenditures from internal sources, placing less reliance on debt financing.

This dramatic improvement in the Corporation's financial condition enabled the corporation to hold electrical rates at their current level for 1990.

b) Saskatchewan Telecommunications

Saskatchewan Telecommunications (SaskTel) constructs, maintains and operates a provincial telecommunications system in concert with similar systems throughout Canada. SaskTel's objective is to serve the communications needs of Saskatchewan residents economically and effectively.

SaskTel's strong financial performance in 1989 resulted in record net earnings of \$77.8 million, an increase of 12.7 per cent from 1988. This was due to cost reduction measures combined with the continued streamlining of operations and increased revenues. Careful management of the Corporation's resources has allowed SaskTel to improve the quality of customer services and to generate new business growth while keeping expenditures down.

Among the programs SaskTel has undertaken to enhance the quality and capacity of the provincial telecommunications network are the \$264 million Rural Individual Line Service program and the \$274 million major switching and network upgrading program.

As 1989 drew to a close, 65 per cent of SaskTel's

network access lines were converted to digital switching systems and 82 per cent of its transmission facilities were digital.

During 1989, SaskTel entered the final phases of the five-year Individual Line Service program. By the end of the year, the program was 76 per cent complete with 56,000 party-line customers being upgraded to individual line service. The remaining 17,600 rural customers will have their facilities converted by the Autumn of 1990.

SaskTel Cellular officially entered the extremely competitive marketplace on August 8, 1989. By year-end, SaskTel Cellular was providing service in most major centres and along principal highway routes in the province. The aggressive expansion of service is to continue in 1990.

In 1989, the sale of TeleBonds was SaskTel's first venture into raising funds within the province for capital projects. The TeleBond campaign attracted more than 33,500 applications involving purchases of more than \$106 million. Two types of bonds were issued, a standard interest-earning savings bond and a credit bond by which the interest is applied monthly to the customer's telephone account.

SaskTel continues to invest in the future by building one of the world's most technologically advanced information networks. As competition increases, technological leadership is fundamental for SaskTel to continue its role as the supplier of all telecommunications products, services and systems throughout the province. At the end of 1989, SaskTel provided a total of 553.1 network access services compared to 540.9 in 1988. Customers placed 135.4 million long distance calls during the year, compared to 125.8 million in 1988.

2) Major Subsidiaries

a) CIC Industrial Interests Inc. (CIC III)

CIC III is a wholly-owned subsidiary of CIC. During 1989, CIC III acquired 49 per cent of the equity of Millar Western Pulp (Meadow Lake) Ltd., and entered into a joint venture agreement in the Bi-Provincial Upgrader at Lloydminster.

Also in 1989, CIC III sold its investment in a subsidiary corporation, Prairie Malt Limited, to ET Corporation of North America and the Saskatchewan Wheat Pool.

CIC III's investments at December 31, 1989 included 53 per cent voting interest in Saferco Products Inc., (which was reduced to 49 per cent on February 5, 1990), 49 per cent voting interest in Millar Western Pulp (Meadow Lake) Ltd., 24.6 per cent voting interest in Saskoil, 17.5 per cent joint venture interest in the Bi-Provincial Upgrader, and a 15.7 per cent voting interest in IPSCO Inc. CIC III also holds various debt instruments, the major one being the Weyerhaeuser Canada Ltd. income debenture.

b) Saskatchewan Energy Corporation (SaskEnergy)

SaskEnergy is a share capital corporation incorporated under *The Business Corporations Act*

(Saskatchewan). Effective June 1, 1988 SaskEnergy acquired the net natural gas assets and assumed the natural gas operations of SaskPower. At the time, SaskEnergy was owned 100 per cent by SaskPower. Effective December 31, 1989, CIC purchased a 100 per cent interest in SaskEnergy from SaskPower.

During 1989, SaskEnergy recorded net income of \$61 million, and capital expenditures for the year totalled \$60 million.

Approximately 1,900 new services were installed under the Saskatchewan Natural Gas Distribution Program during 1989. To meet the growing demands of the export market, SaskEnergy undertook major expansions to transmission facilities in the Cypress area and in northern Saskatchewan.

3) Major Investments

CIC holds shares in three corporations which were formed in 1988 as a result of mergers and/or public participation in Crown corporations: Cameco - A Canadian Mining & Energy Corporation, Saskatchewan Oil and Gas Corporation, and Westbridge Computer Corporation. On November 9, 1989, substantially all of the assets and liabilities of Potash Corporation of Saskatchewan and PCS Mining Limited were sold to Potash Corporation of Saskatchewan Inc. (PCS Inc.). PCS Inc. is listed on the Toronto, Montreal and New York stock exchanges, and reported net income of \$82 million in 1989. CIC, through Potash Corporation of Saskatchewan, owns 31.3 per cent of the voting shares of PCS Inc.

CIC has investments in the heavy oil industry in two areas of the Province. The Bi-Provincial Heavy Oil Upgrader near Lloydminster commenced construction in 1989 with operations startup slated to occur near the end of 1992. CIC is a partner in the construction and operation of the upgrader along with the Government of Canada, the Government of Alberta and Husky Oil Ltd. The outstanding voting shares of the NewGrade Energy Inc. heavy oil upgrader in Regina are owned jointly by CIC and Consumers Co-operative Refineries Limited. The plant is expected to achieve full production capacity in 1990.

During 1989, negotiations were initiated with private companies in order to promote new development in the agricultural and forestry industries. CIC and Millar Western Industries Ltd. agreed to work together to construct the world's first zero effluent chemithermomechanical pulp (CTMP) mill at Meadow Lake. Approval for the CTMP mill was obtained from Saskatchewan Environment and Public Safety in early 1990 and construction began after the environmental concerns were satisfied. It is expected that approximately 250 people will be employed over the 18-24 month construction period. After the mill becomes fully operational it should provide about 110 direct jobs with another 150 jobs expected in the woodlands industry.

In 1989, CIC and Cargill Limited studied the feasibility of constructing a plant to manufacture nitrogen-based fertilizers at Belle Plaine. In early 1990, Saskatchewan Environment and Public Safety gave permission to proceed with construction, subject to all regulatory requirements. Construction will provide an average of 600 construction jobs over a 30 month period. It is anticipated that the plant will be operational in the Autumn of 1992 and will provide direct employment for about 130 people, with about 500 jobs in related industries.

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